

RotenbergMeril's Litigation Support & Valuation Services Group is Key Player in Settling Shareholder Dispute

THE PROBLEM

In 2004, two friends formed an entity to develop a franchise of a national service organization. One of the fifty percent owners was active in day-to-day operations and the other was an absentee owner. Due to the circumstances, tensions grew to a point where the active owner sought to buy out the interest of the inactive owner. A dispute grew over the valuation of the 50% interest, with the inactive owner demanding an extraordinarily high buyout, based solely on an unsupported, one-page calculation of value. With the parties far apart on the valuation of the business, the matter was quickly heading to trial.

THE SOLUTION

RotenbergMeril was retained by the active owner and his attorney to prepare a comprehensive valuation of the franchise, to provide testimony as necessary, and to provide a critique on the calculation of value presented by the other "expert" hired by the absentee owner. The RotenbergMeril valuation conclusion considered all factors important to the

business and appropriate valuation approaches were applied in reaching a fair value. RotenbergMeril documented this valuation conclusion in a detailed report, which was equal to 20% of the amount shown in the other party's report.

THE RESULT

With only days left before the start of a trial and the two parties far apart on the valuation amounts, the judge ordered a pre-trial settlement conference. At this time, the strengths of the RotenbergMeril valuation report and the flaws of the other party's calculation of value became evident. During this process, the calculation of value prepared by the other party was withdrawn, negotiations took place, and a settlement was reached based solely on the RotenbergMeril valuation report. Our well-supported valuation conclusion was the key in reaching a favorable settlement for our client.

As a result, litigation was averted and our client had an outcome that would allow him to continue to independently operate the franchise without any financial constraints.

The key takeaway from this experience is that if you expect your matter to proceed through the various steps of litigation and proceed to trial, a well-written and documented valuation report is necessary for success, as the alternative could be a recipe for disaster. Contact Les Solomon at RotenbergMeril to learn more about our business valuation and litigation support services: lsolomon@rmsbg.com, (201) 487-8383.

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